

Message Text

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ACTION SS-25

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FM AMEMBASSY GUATEMALA
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C O N F I D E N T I A L GUATEMALA 5978

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EXDIS

FOR ROGERS AND KLEINE

EO 11652: GDS
TAGS: ECON, XM
SUBJ: OMB BUDGET CUT FOR FY 1977

REF: STATE 253483

1. IN GUATEMALA, THE EFFECT OF THE ACTION PROPOSED
WOULD BE ANALOGOUS TO A LONG TIME FRIEND ABRUPTLY TURNING
HIS BACK DURING A DISCUSSION OF MUTUAL INTEREST.

2. GUATEMALA IS NOT A COUNTRY OF MAJOR IMPORT TO ESSEN-
TIAL US INTERESTS IN THE HEMISPHERE OR THE WORLD AS WE
NOTED IN THE FY 76/77 CASP. POLITICALLY THE US COULD
WITHSTAND THE REACTION WHICH THE PROPOSED REDIRECTION OF
US ASSISTANCE WOULD INVITE. HOWEVER, WE SHOULD NOT ONLY
BE CONCERNED WITH THE LIKELY NEGATIVE REACTION BUT ALSO
THE LOSS OF THE OPPORTUNITY TO FOLLOW UP ON CURRENT
INITIATIVES AIMED AT INCREASED EQUITY AND INCOME
DISTRIBUTION AND IMPROVING SOCIAL SERVICES FOR THE
UNDERPRIVILEGED MASSES. THUS, LOOKED AT IN A
DEVELOPMENTAL SENSE, CESSATION OF AID ACTIVITIES
WOULD HAVE, IN THE COUNTRY TEAM'S OPINION, A HIGHLY
NEGATIVE IMPACT ON THE DIRECTION OF DEVELOPMENT IN
GUATEMALA, ESPECIALLY IN THE AREAS OF PARTICULAR
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INTEREST TO THE US CONGRESS.

3. REVIEW OF THE LENDING PATTERNS OF AID, IDB, IBRD IN GUATEMALA OVER THE PAST FIVE YEARS WILL CLEARLY HIGHLIGHT THE INNOVATIVE NATURE OF NEW AID PROGRAMS IN THE PRIORITY SECTORS OF AGRICULTURE, EDUCATION AND HEALTH. NEW SMALL FARMER COOPERATIVE INSTITUTIONS, INTRODUCTION OF PARAMEDICS IN RURAL AREAS, REVAMPING OF PRIMARY SCHOOL CURRICULA, INTRODUCTION OF NEW NON-FORMAL EDUCATION PROGRAMS, CREATION OF A NATIONAL AGRICULTURAL RESEARCH CAPABILITY, REDIRECTION AND EXPANSION OF PUBLIC SECTOR EXTENSION EFFORTS TO SMALL FARMERS, ETC. HAVE ALL BEEN PRODUCTS OF RECENT AID PROGRAMS. MOST IMPORTANTLY, THESE PROGRAMS HAVE BEEN STRUCTURED TO MEET THE NEEDS OF THE RURAL POOR, WHO, NOTWITHSTANDING THE COUNTRY'S AVERAGE PER CAPITA GROSS DOMESTIC PRODUCT, MEET ANY REASONABLE DEFINITION OF A TARGET GROUP FALLING WITHIN THE AREA OF CONCERN OF THE CONGRESS AND THE AMERICAN PEOPLE AS RECIPIENTS OF FOREIGN AID. THE OVERALL PER CAPITA GDP FIGURE IS ONLY OF ACADEMIC INTEREST WITHIN THE GUATEMALAN CONTEXT BECAUSE IT IN NO WAY PROVIDES AN ACCURATE PICTURE OF ACTUAL CONDITIONS NOR OF NEED. ACCORDING TO THE BEST FIGURES CURRENTLY AVAILABLE, THE PER CAPITA INCOME OF AID'S TARGET GROUP AVERAGES ABOUT \$80 PER YR.

4. DURING THE PAST FIVE YRS., THE GOG HAS INCREASINGLY GIVEN GREATER RECOGNITION TO THE TREMENDOUS INCOME DISPARITIES EXISTING WITHIN THE COUNTRY, AND HAS BEGUN TO DEVOTE A GREATER PERCENTAGE OF NATIONAL RESOURCES TO PROGRAMS DESIGNED TO OVERCOME THESE DIFFERENCES. THIS WILLINGNESS HAS FORMED THE BASIS FOR AID (AND GOG) CONCEPTUALIZATION AND ADOPTION OF INNOVATIVE PROGRAMS, SUCH AS THE ONES MENTIONED ABOVE, SUPPORTED BY RELATIVELY MODEST LOAN AND GRANT INPUTS. RECENT OUTSIDE, AS WELL AS INTERNAL, EVALUATIONS HAVE POINTED UP THE SUCCESS OF MANY OF THESE PROGRAMS IN REACHING THE TARGET GROUP WITH EFFECTIVE ASSISTANCE. THUS THE COUNTRY TEAM CONCLUDES THAT WHILE THERE ARE NO OVERRIDING FINANCIAL OR POLITICAL CONSIDERATIONS WHICH WOULD PRECLUDE TERMINATION OF

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THE AID PROGRAM, SUCH ACTION WOULD MEAN THE TURNING AWAY OF THE USG FROM OPPORTUNITIES TO PROVIDE EFFECTIVE, LONG-TERM ASSISTANCE TO PEOPLE WHO MEET EVERY CRITERIA THAT WE ARE AWARE OF FOR DEVELOPMENT ASSISTANCE. MAINTENANCE OF A MODEST AID PROGRAM WILL PROVIDE THE USG WITH THE OPPORTUNITY TO CONTINUE TO SUPPORT AND ENCOURAGE ON-GOING AND NEW GOG PROGRAMS WHICH, ONCE FIRMLY ESTABLISHED, WILL COMMAND FURTHER SUPPORT NOT

ONLY FROM THE GOG BUT FROM OTHER INTERNATIONAL DONORS
AS WELL. THIS LATTER RESULT HAS BEEN AMPLY DEMONSTRATED
TO DATE.

5. ALTHOUGH WE RECOGNIZE THAT THERE ARE ADVANTAGES
TO CHANNELING ASSISTANCE THROUGH MULTI-LATERAL IN-
STITUTIONS, IT IS CLEAR THAT US FUNDS LOSE THEIR
IDENTITY IN THE PROCESS. ON THE OTHER HAND, THERE IS
STRONG JUSTIFICATION FOR MAINTAINING SOME BILATERAL
PRESENCE WHERE SUCH ASSISTANCE CAN BE PROPERLY EMPLOYED
WITHIN THE CONGRESSIONAL MANDATES. THE IDENTIFICATION
OF THE UNITED STATES WITH PROGRAMS DIRECTED TOWARD THE
POOR IS GOOD NOT ONLY FOR US RELATIONS, BUT SUCH
IDENTIFICATION PROVIDES CONVINCING EVIDENCE TO THE
AMERICAN PUBLIC AND THE CONGRESS OF THE NEED FOR AND
DESIRABILITY OF CONTINUED FOREIGN AID APPROPRIATIONS.
THE RECNET REPORT OF THE HOUSE INTERNATIONAL RELATIONS
COMMITTEE STAFF ON AID PROGRAMS IN LATIN AMERICA IS
ILLUSTRATIVE OF THE FAVORABLE IMPACT OF WELL-STRUCTURED,
APPROPRIATELY DIRECTED AID PROGRAMS.
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